

WRECO

Audit Report

CALIFORNIA DEPARTMENT OF TRANSPORTATION CONTRACT NO. 04A2938

January 1, 2007, through January 31, 2008



JOHN CHIANG
California State Controller

May 2008



JOHN CHIANG
California State Controller

May 16, 2008

Douglas Gibson
Audits and Investigations (MS 2)
California Department of Transportation
P.O. Box 942874
Sacramento, CA 94274-0001

Dear Mr. Gibson:

The State Controller's Office audited WRECO's proposed costs under its Contract No. 04A2938 with the Department of Transportation (Caltrans) for the period of January 1, 2007, through January 31, 2008.

Our audit determined that the required fiscal provisions are included in the agreement. In addition, the consultant's proposed costs are reasonable in relation to actual historical costs and estimating procedures, and that its financial management system is adequate to accumulate and segregate reasonable, allocable, and allowable project costs.

If you have any questions, please call Andrew M. Finlayson, Chief, State Agency Audits Bureau, at (916) 324-6310.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB:wm

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Audit Report

Summary

The State Controller's Office (SCO) has completed an audit of the WRECO's proposed costs under Contract No. 04A2938, an agreement between the California Department of Transportation and WRECO, for the period of January 1, 2007, through January 30, 2008.

Our audit determined that the required fiscal provisions are included in the agreement. In addition, the consultant's proposed costs are reasonable in relation to actual historical costs and estimating procedures, and that its financial management system is adequate to accumulate and segregate reasonable, allocable, and allowable project costs.

Background

The California Department of Transportation (Caltrans) entered into an agreement with WRECO (consultant) to provide support to Caltrans' staff to prepare various environmental studies/technical reports; perform plan, specifications, and estimates (PS&Es), and construction support related to storm/water quality items for which the State has limited resources and expertise. The contract period is December 13, 2007, through December 30, 2010; the total amount shall not exceed \$5,000,000. Reimbursement is to be made at specified hourly rates of compensation, consultants will be reimbursed for direct costs that are identified in the executed task order, and transportation and subsistence costs shall be actual and not to exceed the rates stipulated in the Caltrans' "Caltrans Travel Guide, Consultants/Contractors Travel Policy" to the following consultants:

- WRECO (prime consultant)
- CH2M Hill (subconsultant)
- Haygood & Associates Landscape Architects (subconsultant)
- H.T. Harvey & Associates (subconsultant)
- Shaw Environmental, Inc. (subconsultant)
- URS Corporation (subconsultant)
- WAU & Company (WBE) (subconsultant)

The consultant is responsible for ensuring compliance with contract provisions and state and federal regulations, which includes, but is not limited to, ensuring that the costs proposed for this agreement are reasonable, allowable, and allocable, and that the financial management system maintained by the consultant is adequate to accumulate and segregate reasonable, allocable, and allowable costs.

Objectives, Scope, and Methodology

The scope of our audit was limited to financial and compliance activities related to the above-referenced agreement. Our audit consisted of verifying the proposed costs and assessing the accounting principles used and significant estimates made by the consultant, as well as evaluating compliance with the Code of Federal Regulations (CFR) 49, Part 18, and CFR 48, Chapter 1, Part 31. We reviewed the agreement, interviewed applicable personnel, and performed limited tests on the consultant's financial management system and proposed costs as of January 30, 2008.

We reviewed the proposed rates for the purposes of accepting contract progress billings. Financial-management-system and cost-proposal changes subsequent to this date were not tested and, accordingly, our conclusion does not pertain to changes arising after this date.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not audit the consultant's financial statements and we did not audit or examine proposed indirect rates since a post-award audit is significantly less in scope than an incurred-cost audit or examination. We limited our review of the consultant's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit determined that the required fiscal provisions are included in the agreement. In addition, WRECO's proposed costs are reasonable in relation to actual historical costs and estimating procedures, and that its financial management system is adequate to accumulate and segregate reasonable, allocable, and allowable project costs.

Views of Responsible Official

We discussed the audit results with Dr. Han-Bin Liang, President, during the exit conference held on March 26, 2008. Dr. Liang agreed with the audit results. No findings were disclosed during the audit; therefore, a draft report is not necessary and the report will be issued as final.

Restricted Use

This report is solely for the information and use of the California Department of Transportation, WRECO, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

May 16, 2008

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